

MINUTES

March 26, 2008
(Agenda Item 2)

California Debt Limit Allocation Committee
Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

OPEN SESSION

Call to Order and Roll Call (Agenda Item 1)

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee (Committee) meeting to order at 1:40 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Anne Sheehan for Arnold Schwarzenegger, Governor
David O'Toole for John Chiang, State Controller

Advisory Members Present: Dennis Meidinger, representing Theresa Parker,
California Housing Finance Agency

Elliott Mandell, representing Lynn Jacobs,
Department of Housing and Community Development (HCD)

Quorum: The Chairperson declared a quorum

Approval of the Minutes of the February 27, 2008 Meeting (Agenda Item 2) (Action Item)

Anne Sheehan moved approval of the minutes from the February 27, 2008 meeting. Upon a second, the minutes passed 3-0 with the following vote: Anne Sheehan; Aye; David O'Toole Aye; Bettina Redway: Aye.

Executive Director's Report (Agenda Item 3) (Informational Item)

Joanie Jones Kelly reported the following:

- Due to a recent change in the TCAC meeting schedule CDLAC has changed the meeting dates for the July (16th new date) and December (3rd new date) meeting to conform with the Tax Credit Allocation Committee's meetings. All other allocation meeting dates will remain the same. These revised dates are posted on the website.
- Consideration of applications requesting allocation in the following program categories: five Exempt Facility projects from CPCFA as Issuer are requesting a total allocation of \$58,890,000, Small Issue Industrial Development Bonds (IDBs) are requesting allocation of \$34,500,000, the

Single Family Housing Mortgage Credit Certificate (MCC) Program is requesting a total Fair Share allocation of \$30,053,724, the Single Family Housing Revenue Bond Program is requesting a Fair Share allocation of \$31,106,072. In the Qualified Residential Rental Pool, the Rural Pool is requesting a total allocation of \$18,178,900, the Mixed Income Pool is requesting a total allocation of \$90,000,000, and the General Pool is requesting a revised allocation amount of \$296,089,954.

- On the March agenda for all CDLAC programs the total allocation requested is \$558,818,650.

Consideration and Approval of the Transfer of a Portion of the Qualified Residential Rental Program Mixed Income Pool and the Extra Credit Teacher Program Pool Reservations to the CalHFA Single Family Housing Program Pool for the Purpose of Administrating a Foreclosure Focused First-time Homebuyer Program (Agenda Item 4) (Action Item) Staff—Joanie Jones Kelly

ACTION: Consideration and Approval of the transfer of a portion of the Qualified Residential Rental Program Mixed Income Pool and the Extra Credit Teacher Program Pool Reservations to the CalHFA Single Family Housing Program Pool for the purpose of administering a Foreclosure REO (*Real Estate Owned taken back by lender*) First-time Homebuyer Program.

BACKGROUND: Without action, foreclosures brought on by the current mortgage crisis will bring the number of empty residences in California to a staggering level as early as summer 2008. This situation has already resulted in dramatically reduced home values and has the potential to bring blight and economic stress to communities all across the State, resulting in serious revenue loss to not only local governments but the State general fund. Ironically, these dramatically reduced prices have increased the number of homes that qualify as “affordable” in the State.

Currently, CDLAC has identified \$360 million of allocation for CalHFA for the 2008 year. If CalHFA runs a “normal” statewide program with leveraging through taxable financing and recycling along with the sale of tax-exempt bonds they would achieve lending of approximately \$1.2 billion. This is \$300 million less than the lending that the Agency completed in 2007 and \$600 million less than 2006 (*CalHFA received surplus carryforward allocation in 2007 & 2006*). If CalHFA uses \$200 million of their \$360 million allocation for the REO program, assuming the financing mechanisms that they designed have 100% tax-exempt financing, CalHFA would only be left with \$160 million to leverage into a statewide program. This would totally change the role that CalHFA has played in the marketplace in California of a first-time homebuyer affordable lender. CalHFA would be out of business within a couple of months and lose the lender relationships that would have to be started all over again when they next receive allocation. Further, while CalHFA believes the REO program is a good program, they do not believe that their primary program that serves a statewide first-time homebuyer customer base should be traded off for the benefits that this program can achieve only in certain hard hit targeted areas.

DISCUSSION: The Foreclosure REO Program would require an award of additional tax-exempt bond allocation for CalHFA. Bonds issued under this new authority will be used solely to fund loans to first-time homebuyers for the purpose of purchasing properties owned by financial institutions (i.e., REO properties) in certain areas of the state with significant numbers of REO's.

The Foreclosure REO Program is designed to assist in the economic revitalization of communities’ hard-hit by foreclosure activity. This is not a refinancing program. The program contemplates the identification of a limited number of specific communities around the state. The details of the REO program are still being worked out. The program would be available to all financial institutions who own REO properties in the targeted areas. Who participates in the program will depend on the type of discounts the financial institutions are willing to provide and other types of financial concessions.

AWARD OF ALLOCATION: The program funding target is \$200 million and at an average loan amount in the range of \$225,000 to \$250,000 the total number of borrowers assisted is estimated to be 800 to 900

individuals. The \$250,000 average loan amount was derived from data on CalHFA's current average loan amount. In addition, it is based on the average loan amount of sub prime loans in California reported by First American Loan Performance. If financial institutions offer significantly discounted prices for REO properties in the program, the average loan amount could fall below this projection, increasing the number of loans delivered in this program.

The \$200 million Foreclosure REO Program bond allocation would be blended into the bonds sold for the CalHFA statewide program, the financial institutions would charge a higher rate of interest for the REO program bonds given that they would have to identify in the official statement that these bonds are issued solely for the purchase of REO properties in targeted economically impacted areas. CalHFA initially plans to issue bonds with existing tax-exempt issuance authority to finance REO Program loans as well as loans originating from other programs of the Agency as loans originate and are purchased by the Agency overtime. CalHFA anticipates that bonds may be issued as soon as July to finance the purchase of the first Foreclosure REO Program Loans.

RECOMMENDATION: Approve the transfer of \$90 million in tax-exempt bond allocation from the Mixed Income Pool, and \$110 million from the Extra Credit Teacher Program Pool to the CalHFA Single Family Housing Foreclosure REO Program. CalHFA will utilize existing allocation to begin the Foreclosure REO Program in April 2008. The actual award of allocation is requested in carryforward allocation to be awarded in December 2008, CalHFA will receive an allocation reimbursement.

Anne Sheehan asked when CalHFA would be able to present specific information on the REO Program to the CDLAC Committee. Dennis Meidinger responded that CalHFA would present more detailed information on the Program at the next CDLAC meeting in May 2008.

Anne Sheehan moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following votes: Anne Sheehan: Aye; David O'Toole: Aye; Bettina Redway: Aye.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Projects and Awards of Allocation (Agenda Item 5) (Action Item)
Staff—Brady Hill

a. Consideration of Appeals

There were no appeals.

b. Consideration of Applications

Brady Hill stated that the Committee received four First Tier (small business) Exempt Facility applications for projects all under regulatory mandate from the California Pollution Control Financing Authority (CPCFA) for the following projects; Solid Wastes of Willits, Inc. in Mendocino County for \$4,195,000; Yulupa Investments, LLC in Mendocino and Lake Counties for \$7,830,000, Garaventa Enterprises, Inc., in Contra Costa County for \$17,150,000; and South Tahoe Refuse, Company in El Dorado County for \$16,615,000. The Committee also received one non-First Tier project from CPCFA for Air Products Manufacturing Corporation in Contra Costa County for \$13,100,000.

RECOMMENDATION: Staff recommends approval of \$58,890,000 in tax-exempt bond allocation for all five Exempt Facility projects.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Pollution Control Financing Authority (08-035)	Solid Wastes of Willits, Inc.	\$4,195,000	\$4,195,000
California Pollution Control Financing Authority (08-036)	Yulupa Investments, LLC	\$7,830,000	\$7,830,000
California Pollution Control Financing Authority (08-79)	Air Products Manufacturing Corporation	\$13,100,000	\$13,100,000
California Pollution Control Financing Authority (08-081)	Garaventa Enterprises, Inc.	\$17,150,000	\$17,150,000
California Pollution Control Financing Authority (08-083)	South Tahoe Refuse Company	\$16,615,000	\$16,615,000

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Bonds for Small-Issue Industrial Development Bond Projects and Awards of Allocation (Agenda Item 6) (Action Item) Staff—Richard Fischer

a. Consideration of appeals

There are no appeals for this item.

b. Consideration of applications

The Committee received four Industrial Development Bond (IDBs) projects requesting allocation. The Applicants are: Ventura Coastal, LLC in the City of Visalia for \$7,500,000, Real Mex Foods in the City of Vernon for \$10,000,000 and both of the projects from the California Municipal Finance Authority (CMFA). EVAPCO, Inc. in the City of Madera for \$7,000,000 from California Enterprise Development Authority (CEDA), and Prinsco in the City of Fresno for \$10,000,000 from the I-Bank.

RECOMMENDATION: Staff recommends approval of \$34,500,000 in allocation for all four Industrial Development Bond projects.

The following projects were presented to the Committee:

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Municipal Finance Authority (08-046)	Ventura Coastal	\$7,500,000	\$7,500,000
California Enterprise Development Authority (08-076)	Evapco, Inc.	\$7,000,000	\$7,000,000
California Infrastructure & Economic Development Bank (08-085)	Prinsco Inc.	\$10,000,000	\$10,000,000

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed 3-0 with the following votes: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

The following project was presented to the Committee:

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Municipal Finance Authority (08-073)	Real Mex Foods	\$10,000,000	\$10,000,000

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed 2-1 with the following votes: Anne Sheehan: Aye; David O’Toole: No; Bettina Redway: Aye;.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Programs and Awards of Allocation (Agenda Item 7) (Action Item)
Staff—Sarah Lester

a. Consideration of appeals

There are no appeals for this item.

b. Consideration of applications

Sarah Lester stated that the Committee received three applications requesting Mortgage Credit Certificate (MCC) authority from the following local agencies: the County of San Diego requested their Fair Share allocation of \$10,585,084, the County of Alameda requested their Fair Share allocation of \$10,130,417, and the Sacramento Housing and Redevelopment Agency requested their Fair Share allocation of \$9,338,223. The Committee received one Mortgage Revenue Bond (MRB) application from the CRHMFA Homebuyers Fund requesting their Fair Share allocation of \$31,106,072.

RECOMMENDATION: Staff recommends an award of allocation sufficient to fund the Single Family Fair Share allocation for all three MCC projects and the one MRB project for a total allocation of \$61,159,796.

<u>ISSUER</u>	<u>PROGRAM</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
County of San Diego (08-042)	MCC	\$20,000,000	\$10,585,084
County of Alameda (08-048)	MCC	\$15,000,000	\$10,130,417
Sacramento Housing and Redevelopment Agency (08-052)	MCC	\$20,000,000	\$9,338,223
CRHMFA Homebuyers Fund (08-063)	MRB	\$40,000,000	\$31,106,072

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed 3-0 with the following votes: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects and Awards of Allocation (Agenda Item 8)
(Action Item) Staff—Joanie Jones Kelly

a. Consideration of appeals

There are no appeals for this item.

b. Consideration of applications

Joanie Jones Kelly stated that the Rural Pool received three applications for a total of \$18,178,900.

RECOMMENDATION: Staff recommends approval of \$18,178,900 in bond allocation to fund all projects in the Rural Pool.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
<u>Rural Projects</u>			
California Municipal Finance Authority (08-074)	Springhill Garden Apartments	\$8,000,000	\$8,000,000
California Municipal Finance Authority (08-078)	Filmore Central Station Town Homes	\$5,448,900	\$5,448,900
CalHFA (08-088)	Tahoe Senior Plaza II Apartments	\$4,730,000	\$4,730,000

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed 3-0 with the following vote: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Ms. Kelly stated that the Mixed Income Pool received two applications for a total of \$90,000,000. The Committee received a Supplemental application from Contra Costa County requesting \$10 million in allocation for the Pleasant Hill BART Transit Village project. The project received its initial allocation of \$125 million at the December 2005 CDLAC allocation meeting.

The Committee received a second application from the City of Los Angeles for Blossom Plaza Apartments requesting an allocation of \$80,000,000. An allocation of \$50 million was awarded to this project at the January 23, 2008 CDLAC meeting. CDLAC staff requested that the project receive two separate allocations due to the large amount of the request. The applicant is also requesting that the Committee approve a revision to the initial allocation Resolution for the \$50 million to amend the final issuance date to coincide with the \$80 million requested today so the bonds can be closed together.

The Blossom Plaza Apartments, application 08-005, exceeds the \$30 million project cap per project imposed by Section 17.IV of the CDLAC procedures

RECOMMENDATION: Staff recommends that the Committee waive the maximum allocation amount for Application 08-005 Blossom Plaza Apartments based on the demand for rental projects is such that, the maximum allocation amount is not warranted due to the lack of competition there will be excess allocation for the current round.

RECOMMENDATION: Staff recommends the approval of an award of allocation of \$90,000,000 for the two Mixed Income projects, the Blossom Plaza Apartments and the Pleasant Hill BART Transit Village. Staff also recommends that the \$50 million Blossom Plaza allocation awarded in January the bond issuance date be revised to coincide with the current allocation request.

Mixed Income Projects

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
City of Los Angeles (08-005)	Blossom Plaza Apartments	\$80,000,000	\$80,000,000
County of Contra Costa (08-096)	Pleasant Hill BART Transit Village	\$10,000,000	\$10,000,000

Anne Sheehan moved approval of staff’s recommendation to waive the maximum allocation amount for application #08-005 Blossom Plaza Apartments project. Upon a second, the motion passed 3-0 with the following vote: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Anne Sheehan also moved approval of staff’s recommendation of an award of allocation of \$90,000,000 for the two Mixed Income projects and approval of the \$50,00,000 in allocation awarded to Blossom Plaza in January be revised to coincide with the current allocation request. Upon a second, the motion passed 3-0 with the following votes: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Ms. Kelly stated that the General Pool received twenty-nine applications requesting \$296,089,954 in allocation.

RECOMMENDATION: Staff recommends the award of allocation sufficient to fund all demand for allocation in the General Pool.

General Pool Projects

David O’Toole stated that due to a potential conflict of interest on behalf of the State Controller he would leave the meeting while Agenda Items 08-049, 08-068, and 08-055 were presented to the Committee.

The following three General Pool projects were presented to the Committee:

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
Housing Authority of the County of Los Angeles (08-049)	Sierra Bonita Apartments	\$11,000,000	\$11,000,000
California Municipal Finance Authority (08-068)	Montclair Senior Housing Project	\$14,000,000	\$14,000,000
City of Oceanside (08-055)	Country Club Apartments	\$11,707,272	\$11,707,272

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed 2-0 with the following vote: Anne Sheehan: Aye; Bettina Redway: Aye.

David O’Toole rejoined the meeting.

The remaining twenty-six General Pool projects were presented to the Committee:

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
City of Los Angeles (08-043)	Adams and Central Mixed Use Development	\$18,000,000	\$18,000,000
City of Los Angeles (08-044)	Tres Lomas Garden Apartments	\$3,750,000	\$3,750,000
City of Los Angeles (08-045)	Toberman Village Apartments	\$10,000,000	\$10,000,000
Housing Authority of the City of Fresno (08-050)	Parc Grove Commons Phase II Apartments	\$17,730,000	\$17,730,000
Housing Authority of the City of Fresno (08-051)	Yosemite Village Apartments	\$6,000,000	\$6,000,000

Housing Authority of the City of Sacramento (08-054)	Casa de Angelo Apartments	\$6,324,600	\$6,324,600
ABAG Finance Authority for Nonprofit Corporations (08-056)	Reardon Heights Apartments	\$4,500,000	\$4,500,000
California Statewide Communities Development Authority (08-058)	Ridge Lake Apartments	\$4,700,000	\$4,700,000
Community Redevelopment Agency of the City of Los Angeles (08-060)	Alexandria House Apartments	Withdrawn	Withdrawn
California Statewide Communities Development Authority (08-061)	Terracina Apartments	\$3,545,550	\$3,545,550
California Statewide Communities Development Authority (08-064)	Bella Vista Apartments	\$4,100,000	\$4,100,000
California Statewide Communities Development Authority (08-065)	Turnagain Arms Apartments	Withdrawn	Withdrawn
California Statewide Communities Development Authority (08-066)	Palomar Apartments	\$10,750,000	\$10,750,000
California Statewide Communities Development Authority (08-067)	Charter Court Apartments	\$18,600,000	\$18,600,000
ABAG Finance Authority for Nonprofit Corporations (08-069)	Belovida Santa Clara	\$5,567,517	\$5,567,517

City of Santa Rosa (08-70)	Rowan Court Apartments	\$14,000,000	\$14,000,000
California Municipal Finance Authority (08-071)	Inglewood Meadows Apartments	\$18,000,000	\$18,000,000
California Municipal Finance Authority (08-072)	Regent Plaza Apartments	\$10,000,000	\$10,000,000
California Statewide Communities Development Authority (08-075)	Kentfield Apartments	\$8,000,000	\$8,000,000
California Statewide Communities Development Authority (08-084)	Sycamore Senior Apartments	\$3,000,000	\$3,000,000
California Statewide Communities Development Authority (08-086)	Springbrook Grove Apartments	\$10,533,015	\$10,533,015
CalHFA (08-87)	Bay Avenue Senior Apartments	\$21,580,000	\$21,580,000
CalHFA (08-90)	Villa Springs Apartments	\$5,700,000	\$5,700,000
ABAG Finance Authority for Nonprofit Corporations (08-091)	Vintage Square at Westpark Senior Apartments	\$13,500,000	\$13,500,000
Housing Authority of the County of Sacramento (08-092)	The Corsair Park Apartments	\$9,000,000	\$9,000,000
Housing Authority of the County of Sacramento (08-093)	Norden Terrace Apartments	\$20,000,000	\$20,000,000
California Municipal Finance Authority (08-094)	Rohlffs Manor III Apartments	\$6,740,000	\$6,740,000

California Municipal Finance Authority (08-095)	Rohlffs Concordia Manors	\$5,762,000	\$5,762,000
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David O'Toole moved approval of staff's recommendation for the remaining twenty-six General Pool projects. Upon a second, the motion passed 3-0 with the following vote: David O'Toole: Aye; Anne Sheehan: Aye; Bettina Redway: Aye.

Public Comment (Agenda Item 9) (Action Item)

The following people spoke regarding treatment of the construction workers who were hired by AIMCO Equity Services, Inc. The testimony presented related to violations of labor laws for housing projects being developed in the Hunters Point area of San Francisco.

Francisco Da Costa, Director, Environmental Justice Advocacy
 Hillary Ronen, La Raza Centro Legal
 Gregory M. Hall, Local #22
 Gonzalo Aguilar, Local #713
 Fausto Aguilar, Local #217 Carpenters
 Alonso Saucedo, Local #713 Carpenters
 Henry Taylor, Local 22
 Luis Osuna, Union Local #713 Hayward
 Douglas Givens, #22
 Lloyd Thibeaux, Local #22
 Felix Cortes, Local #22 Carpenter
 Alberto Toledo, Local #22
 Hector Rodriguez, Local #713
 Fausto Aguilar, Union Local #217 Foster City
 Dorothy Peterson, Shoreview Residents Association, Inc.
 Espanola Jackson, BVHP

Bettina Redway explained that if the CDLAC regulatory agreement or federal tax law was violated, the project's tax exempt bonds could become taxable. She also noted that compliance monitoring is primarily the responsibility of the bond issuer and that CSCDA was the issuer of the bonds for the Hunters Point projects.

Bettina Redway advised the group to schedule a meeting with CDLAC staff to discuss this rather technical matter in more detail. She offered to coordinate the meeting.

Adjournment (Agenda Item 10)

The meeting adjourned at 3:30 pm.